



U.S. Department of the Interior  
Office of Inspector General

# **AUDIT REPORT**

**PROPERTY MANAGEMENT,  
U.S. GEOLOGICAL SURVEY**

**REPORT NO. 96-I-607  
MARCH 1996**



# United States Department of the Interior

OFFICE OF THE INSPECTOR GENERAL  
Washington, D.C. 20240

MAR 29 1996

## MEMORANDUM

TO: The Secretary

FROM: Wilma A. Lewis *Richard M. Block for*  
Inspector General

SUBJECT SUMMARY: Final Audit Report for Your Information - "Property Management, U.S. Geological Survey" (No. 96-I-607)

Attached for your information is a copy of the subject final audit report.

The U.S. Geological Survey has made substantial improvements in the physical management of its capitalized property since our last audit in 1991. However, deficiencies still remained in the controls for recording acquisition costs in the property system. As a result, we estimated that the \$335 million property and equipment balance as of September 30, 1994, was overstated by at least \$5.9 million and that the recorded acquisition costs for equipment totaling about \$1.9 million were not adequately supported by the accounting records. The Geological Survey concurred with all four of our recommendations.

If you have any questions concerning this matter, please contact me or Ms. Judy Harrison, Assistant Inspector General for Audits, at (202) 208-5745.

Attachment



# United States Department of the Interior

OFFICE OF THE INSPECTOR GENERAL  
Washington, D.C. 20240

MAR 26 1996

## AUDIT REPORT

To: Assistant Secretary - Water and Science

From: **Judy Harrison** *Judy Harrison*  
Assistant Inspector General for Audits

Subject: Final Audit Report on Property Management, U.S. Geological Survey  
(No. 96-I-607)

## INTRODUCTION

This report presents the results of our audit of the U.S. Geological Survey's property management activities. The objective of the audit was to determine whether: (1) the Geological Survey has fully implemented the recommendations contained in our July 1991 audit report "Property Management, U.S. Geological Survey" (No. 91-I-1028); and (2) the property and equipment balance reported in the Geological Survey's financial statements for fiscal year 1994 was accurate.

## BACKGROUND

Policies and procedures for the management of personal property are contained in the Departmental Manual section entitled "Interior Property Management Regulations" (410 DM). These regulations require each bureau head to implement the provisions of the Federal Property Management Regulations established by the General Services Administration and to issue instructions governing the actions of all officials to whom authority has been delegated for the acquisition, use, management, and disposition of property. The Geological Survey's property management guidance is contained in the Survey Manual and the Property Management Handbook.

The Branch of Property Management is responsible for administering and accounting for the Geological Survey's controlled property. The Geological Survey assigns control of individual property items to property custodians, who are generally the individuals under whose daily control and supervision the property is used. The

Branch reports its fiscal year-end capitalized property<sup>1</sup> balance to the Office of Financial Management for inclusion in the Geological Survey's financial statements. In its fiscal year 1994 financial statements, the Geological Survey reported property and equipment with a value of \$335.2 million, which consisted of \$297.8 million for equipment \$18.7 million for structures, facilities, and leasehold improvements; \$18.6 million for automated data processing software; and \$75,000 for land.

## **SCOPE OF AUDIT**

Our audit was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. The Geological Survey offices visited or contacted are listed in Appendix 1.

To accomplish our objective, we selected a statistical sample of 166 capitalized equipment items, totaling \$43.5 million, from a March 1995 Geological Survey property management system report (as adjusted to approximate the September 30, 1994, property balance) to determine whether the items were at their designated locations and the recorded acquisition costs were accurate. This sample was drawn from two audit universes: property items acquired before fiscal year 1989 and property items acquired during and after fiscal year 1989. Separate audit universes were used because the Geological Survey, in accordance with procedures set forth by its General Records Disposition Schedule, had disposed of most of the acquisition documents for property items that were at least 6 years old. In July 1995, the Geological Survey implemented a new property management system under which it began to record depreciation of its capitalized property. As a result of this accounting change, the net book value of older property items will be significantly reduced or eliminated. Accordingly, our tests of the older property were limited to determining whether the items were at their designated locations. Our sampling methodology is detailed in Appendix 2. We also selected two separate judgmental samples to determine whether any additional property items should be included in the Geological Survey's property records (60 items) and whether equipment items were capitalized in the proper fiscal year (90 items).

In order to verify the acquisition costs recorded in the Property Management System, we reviewed purchase orders, payment records, contracts, and other cost documentation. Additionally, we confirmed the physical existence of the items by conducting on-site inspections or by obtaining written confirmations from cognizant property custodians.

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<sup>1</sup>Capitalized property consists of property and equipment with an original acquisition cost of \$5,000 or more and an estimated service life of 2 years or more.

As part of our review, we examined the Geological Survey's internal controls over its capitalized property and equipment. We determined that weaknesses existed in the areas of documenting acquisition costs and recording acquisitions in the proper fiscal year. These weaknesses are discussed in the Results of Audit section of this report. Our recommendations, if implemented, should improve controls in these areas.

We also reviewed the Secretary's Annual Statement and Report to the President and the Congress, required by the Federal Managers' Financial Integrity Act of 1982, for fiscal year 1994 to determine whether any reported weaknesses were within the objective and scope of our audit. We determined that none of the reported weaknesses were within the objective and scope of our audit.

## **PRIOR AUDIT COVERAGE**

During the past 5 years, the Office of Inspector General has issued three audit reports that included property-related issues as follows:

- The February 1995 report "U.S. Geological Survey Principal Financial Statements for Fiscal Years 1993 and 1994" (No. 95-I-582) stated that the audit could not be completed and that we could not express an opinion on the reliability of the statements because the Geological Survey did not have adequate supporting documentation to substantiate the amounts reported for several material accounts, including property and equipment.

- The June 1993 report "U.S. Geological Survey Statement of Financial Position as of September 30, 1992" (No. 93-I-1214) stated that personal property assets valued at \$350 million were not adequately controlled or managed. This condition occurred because the Geological Survey had not: (1) designated officials to oversee its property management program; (2) followed Departmental property control procedures, such as conducting annual inventories; or (3) established controls to ensure that property records were accurate. In addition, significant differences existed between the value of property reported in the Property Management System and the value reported in the general ledger. The Geological Survey revised its accountability structure during fiscal year 1992, conducted a physical inventory of its personal property, and corrected valuation errors in its property records.

- The July 1991 report "Property Management, U.S. Geological Survey" (No. 91-I-1028) stated that \$12 million of personal property could not be located and was presumed lost; about \$26 million of property had been improperly transferred or removed; \$42 million of property was not properly marked with identification numbers; and a \$23.7 million difference existed between the property records and the general ledger. In addition, the Geological Survey did not have controls to prevent or detect conveyance of property to non-Geological Survey organizations, and

\$520,000 of Federal property was given to non-Geological Survey organizations without proper authorization or documentation. Our current review determined that the Geological Survey had effectively implemented all 10 of the recommendations to correct these deficiencies (see Appendix 3).

## **RESULTS OF AUDIT**

The Geological Survey has made substantial improvements regarding the physical management of its capitalized property. For example, all of the 166 capitalized equipment items we reviewed in our current audit were at their designated locations. Overall, the 10 recommendations from our July 1991 audit report have been implemented effectively (see Appendix 3), and most of the deficiencies identified during the prior audit have been corrected. However, deficiencies still remain in the controls for recording acquisition costs in the Property Management System. As a result, we estimated that the \$335 million property and equipment balance as of September 30, 1994, was overstated by at least \$5.9 million and that the recorded acquisition costs for equipment totaling about \$1.9 million were not adequately supported by the accounting records.

### **Recording Acquisition Costs**

We found that the property management system contained inaccurate and unsupported cost data for 32 of the 87 statistically selected capitalized property items we examined for cost support. The Departmental Manual (410 DM 114-60.202(b)) requires that property accountability records accurately reflect the cost of an item and that cost data be verified to ensure that data entered at the time of purchase are correct. We determined that property costs were not properly recorded because duplicate cost entries were made into the Property Management System and acquisition costs were not posted accurately. We also determined that property costs were not adequately supported because payment records were not in the files to substantiate the cost of property items or enhancements to equipment. For property items reported to have been acquired from fiscal years 1989 through 1994 at a cost of \$103 million, we found, based on our statistical sample, that this amount was overstated by about \$5.3 million and unsupported by about \$1.9 million. In addition, we found that 58 of the 90 fiscal year-end property purchases were not recorded in the appropriate fiscal year, resulting in the property balance being overstated by an additional \$559,000.

**Duplicate Costs.** Our review of 87 property items identified 8 items for which the acquisition costs were entered twice into the Property Management System. As a result, the acquisition costs for those items were overstated by a total of \$390,342.

The Office of Systems Management, Administrative Division, generated a monthly accounting report that included a listing of all payments for property items. These payments were then posted to the Property Management System, which automatically updated the cost data for individual property items. We found, however, that for some property items, property management specialists were entering the same data into the System manually before the data were automatically posted and the Geological Survey had not implemented adequate controls to identify and correct these duplicate entries. In addition, Geological Survey officials informed us that because of processing problems, payments for property items were sometimes automatically posted into the property system more than once, resulting in the recording of double or triple payments for some property items.

**Posting Errors.** We found that the recorded acquisition costs for 10 of the 87 items we reviewed were not accurately posted from the payment records. As a result, the acquisition costs were overstated by \$409,315 for seven of the items and understated by \$40,191 for three of the items. Five of the posting errors related to property acquired by the Geological Survey through contracts issued by the Defense Mapping Agency. The costs of these five items were posted to the property system from cost estimates provided by the National Mapping Division. These items were subject to extensive security requirements, including a requirement that the acquisition documents (requisitions, invoices, functional descriptions, and receiving reports) should be maintained in a secure area. As a result, these documents were not provided to property management officials, and amounts posted to the system were based on estimates. Based on a certification of the cost of these items we received from an official of the Advanced Systems Branch, within the National Mapping Division, we found that the recorded costs were understated by \$37,314 for one item and overstated by \$408,304 for four items. For example, the property system showed that the National Mapping Division acquired the item “SIP Base” and had a recorded cost of \$200,000. We confirmed that this item’s actual acquisition cost was \$27,974, resulting in an overstatement of \$172,026,

The errors for the other five items also resulted from posting estimated rather than actual costs. For example, in fiscal year 1989, the Geological Survey purchased a pickup truck for \$11,124. The truck’s \$12,000 recorded cost was based on an estimate. No adjustment was made to the System when the payment was processed. As a result, the recorded cost was overstated by \$876.

**Undocumented Payments or Adjustments to Property Costs.** The Geological Survey could not provide payment records to fully substantiate the recorded costs for 14 of the 87 items in our sample. As a result, equipment costs totaling \$384,223 could not be substantiated.

**Year-End Acquisitions.** To determine whether the Geological Survey recorded year-end property acquisitions in the proper fiscal year, we judgmentally selected 90

year-end transactions for fiscal year 1994, valued at \$874,000. Under the accrual method of accounting, assets should be capitalized when received, regardless of when the disbursements are actually made. However, we identified 58 items, valued at \$559,000, that were reported as assets on the Geological Survey's fiscal year 1994 financial records, even though the items were received in fiscal year 1995.<sup>2</sup> This occurred because the Geological Survey capitalized property in the year in which funds had been made available for the procurement. As a result, property and equipment were overstated by \$559,000 in the Geological Survey's fiscal year 1994 financial records.

## **Impact on Fiscal Year 1995 Financial Statements**

The Geological Survey's new property management system (the Fixed Asset Module of the Federal Financial System) was implemented in July 1995, which was near the completion of our audit. A significant change in accounting practices resulting from implementation of this system was the depreciation of all capitalized property and equipment. This change will have a material effect on the Geological Survey's fiscal year 1995 financial statements because it will decrease the net property and equipment account balance by \$184 million (62 percent).

As part of our audit of the Geological Survey's fiscal year 1995 financial statements, we are reviewing the reliability of data in the new property system. Because the Geological Survey's new fixed asset subsystem will record the date property is received, future capitalized equipment purchases should be reported in the appropriate accounting period. We will assist the Geological Survey in resolving the deficiencies that contributed to the \$5.3 million property account overstatement identified in this report.

## **Recommendations**

We recommend that the Director, U.S. Geological Survey:

1. Establish adequate data entry controls to identify and prevent duplicate entries into the Federal Financial System's fixed asset subsystem, particularly with respect to manually entered excess and donated property items.
2. Establish controls to ensure that files contain adequate documentation to support recorded acquisition costs, including the cost of enhancements to existing equipment.

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<sup>2</sup>These items were not included in our statistical sample; therefore, the \$559,000 overstatement is not reflected in our \$5.3 million projection for duplicate entries and posting errors,



3. Establish procedures to ensure that when property is acquired under contracts, the acquisition is recorded accurately in the Property System.

4. Ensure that equipment is capitalized based on the date of receipt rather than on the year of funding.

## **U.S. Geological Survey Response and Office of Inspector General Reply**

The February 20, 1996, response (Appendix 4) to the draft report from the Director, U.S. Geological Survey, generally concurred with the recommendations.

Recommendations 1 and 3. The Geological Survey stated that implementation of the Fixed Asset Subsystem eliminated the need to update the property records more than once for a particular month's transactions and that the Subsystem ensures that the actual payment amount rather than an estimated value is recorded in the property system.

Recommendation 2. The Geological Survey stated that the Office of Financial Management will conduct periodic management control reviews to ensure that its established archival procedures are adequately executed.

Recommendation 4. The Geological Survey stated that the Fixed Assets Subsystem is being enhanced to ensure that the capitalized asset's value is recorded in the correct fiscal year.

Based on the Geological Survey's response, we consider Recommendations 1, 2, and 3 resolved and implemented and Recommendation 4 resolved but not implemented. Accordingly, Recommendation 4 will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

The Geological Survey disagreed with our statement in the draft report that only 8 of the 10 recommendations in our July 1991 report had been implemented effectively, stating that the deficiencies related to the two recommendations were corrected with implementation of the Fixed Asset Subsystem.

The two recommendations were not fully implemented at the completion of our review for this audit. However, we reviewed implementation of the Subsystem as part of our audit of the Geological Survey's fiscal year 1995 financial statements, which was completed subsequent to this property management audit. Based on that subsequent review, we confirmed that the new Subsystem had corrected the deficiencies related to the two recommendations. Therefore, we have revised our report to indicate that all 10 recommendations from the July 1991 report have been implemented.

Since the report's recommendations are considered resolved, no further response to the Office of Inspector General is required (see Appendix 5).

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

cc: Director, U.S. Geological Survey  
Audit Liaison Officer, Water and Science  
Audit Liaison Officer, U.S. Geological Survey

## SITES VISITED OR CONTACTED

### Water Resources Division

#### **Sites Visited**

Palo Alto, California  
 Arvada, Colorado  
 Denver, Colorado  
 Lakewood, Colorado  
 Reston, Virginia  
 Sacramento, California

#### **Sites Contacted\***

Little Rock, Arkansas  
 San Diego, California  
 Grand Junction, Colorado  
 Altamonte Springs, Florida  
 Ocala, Florida  
 Norcross, Georgia  
 Idaho Falls, Idaho  
 Baton Rouge, Louisiana  
 Columbus, Ohio  
 San Juan, Puerto Rico  
 Huron, South Dakota  
 Richmond, Virginia  
 Tacoma, Washington  
 Madison, Wisconsin  
 Tuscaloosa, Alabama

### Information Systems Division

#### Site Visited

Reston, Virginia

### National Mapping Division

#### **Sites Visited**

Menlo Park, California  
 Lakewood, Colorado  
 Reston, Virginia

#### **Sites Contacted\***

Anchorage, Alaska  
 Rolls, Missouri  
 Sioux Falls, South Dakota

### Geologic Division

#### **Sites Visited**

Menlo Park, California  
 Palo Alto, California  
 Golden, Colorado  
 Lakewood, Colorado  
 Albuquerque, New Mexico  
 Reston, Virginia  
 Redwood City, California

#### Sites Contacted\*

Flagstaff, Arizona  
 Hawaii National Park, Hawaii  
 Woods Hole, Massachusetts  
 Memphis, Tennessee  
 Fairbanks, Alaska

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\* In conjunction with Geological Survey property management personnel, we requested that property custodians at these locations certify the existence and condition of the property items included in our sample.

## SAMPLING METHODOLOGY

Our sampling plan was designed to determine whether the property and equipment were in the custody of designated Geological Survey employees and whether the recorded values of the items were correct.

We selected a statistical sample using the master file of the Geological Survey's Property Management System as of March 23, 1995, which included 15,948 equipment items, with a recorded cost of \$295.2 million. Our sampling universe did not include computer software; structures, facilities, and leaseholds; or land. Since the primary purpose of our tests was to determine the reasonableness of the year-end balance for fiscal year 1994, we excluded all items acquired and/or received in fiscal year 1995 and limited our sample to items with a recorded cost of \$10,000 or more to provide greater assurance that material errors would be identified by our testing. We also used a stratified random sample to ensure that high-dollar value items were represented in our sample. The resulting sampling universe consisted of 6,676 items, with a recorded value of \$238 million, which represented 42 percent of the property items and 81 percent of the recorded costs.

We further divided this universe into two separate universes: items acquired prior to fiscal year 1989 (3,326 items costing \$134 million) and items acquired from fiscal years 1989 through 1994 (3,350 items costing \$103 million). This was necessary because, in accordance with the Geological Survey's General Records Disposition Schedule, the Geological Survey did not retain acquisition documentation for items that were at least 6 years old. Accordingly, we limited our testing of items acquired prior to fiscal year 1989 to verifying their existence.

Our statistical sample consisted of 166 items, with a recorded cost of \$43,549,340 (79 items acquired prior to 1989 and 87 items acquired from 1989 through 1994). Our sample included all 16 items that had a recorded cost of \$500,000 or more and totaled \$30.5 million, including 7 items (\$23.8 million) acquired prior to 1989 and 9 items (\$6.7 million) acquired after that period.

We projected the results of our finding that 32 of the 87 sampled property items acquired after 1989 contained inaccurate and unsupported cost data.\* As a result

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\*We determined that 5 of the 9 property items with recorded costs in excess of \$500,000 and 27 of the 78 property items with recorded costs between \$10,000 and \$499,000 contained inaccurate and unsupported cost data. By projecting these results using a 90 percent confidence level, we estimated that the Geological Survey's property and equipment balance was overstated by between \$2.7 million and \$8.0 million, with a midpoint projection of \$5.3 million. In addition, the projected result for unsupported payments for property items or enhancements to property items was between \$526,000 and \$3.2 million, with a midpoint projection of \$1.9 million.

of this projection and our finding that 58 of the 90 items in our judgmental sample of year-end property acquisitions were recorded in the wrong fiscal year, we estimated that the Geological Survey's reported property and equipment account was overstated by about \$5.9 million (\$5.3 million projected for 87 statistically selected items plus \$559,000 for the 58 items in our judgmental sample). In addition, we estimated that the reported balance for property and equipment contained unsupported payments or adjustments of approximately \$1.9 million.

**FOLLOWUP OF AUDIT REPORT “PROPERTY MANAGEMENT,  
U.S. GEOLOGICAL SURVEY”  
(No. 91-I-1028), DATED JULY 1991**

In July 1991, the Office of Inspector General issued the audit report entitled “Property Management, U.S. Geological Survey” (No. 91-I-1028). Our current review found that the 10 recommendations in the report were adequately implemented as follows:

- RECOMMENDATION A.1. Implement the accountability structure prescribed in the Departmental Manual (410 DM 114-60) by designating a Property Management Officer and ensuring that the Officer appoints property administrators who, in turn, appoint accountable officers to each office with the authority to ensure that (a) physical inventories are conducted when custodians transfer to another location, (b) custodians check property items on a periodic basis to identify lost or stolen items, (c) annual physical inventories are accurately and comprehensively conducted, (d) custodians are aware of the property procedures, (e) property passes are used when property is removed from a Federal Government facility, (f) the Survey identification number is attached to or engraved on all property items, and (g) property is properly reported to Property Management when received.

STATUS: The new accountability structure was implemented on September 8, 1992, and new guidance was distributed to all employees. We determined that the accountability structure was in compliance with the Departmental Manual and provided the necessary authority and direction to the officials responsible for property accountability.

- RECOMMENDATION A.2. Conduct annual physical inventories, reconcile actual property items with Property Management System data, identify missing property, and take action to recover costs in cases in which reasonable care of personal property has not been exercised by custodians.

STATUS: All inventories were completed and reconciled and adjustments were made by December 1993. Our review disclosed that physical inventories were taken annually and reconciled with the data in the Property Management System.

- RECOMMENDATION A.3. Correct the data in the Property Management System based on the results of inventories and a review of reports issued by the Property Management System that list inaccurate data entries.

STATUS: The Geological Survey completed a “special data call” in February 1994 to obtain and enter missing data in the Property Management System. The data were obtained and provided to the custodial property officers to adjust their records in the System.

- RECOMMENDATION A.4. Provide guidance to ensure that purchase or delivery orders contain accurate descriptions of the items so that controlled/accountable property can be identified for property management purposes.

STATUS: An instructional memorandum providing guidance concerning descriptions on requisitions was issued by the Chief, Office of Procurement and Contracts, on December 3, 1991. This memorandum contained procedures to ensure that item descriptions on requisitions and purchase orders clearly identified the property to be acquired. Our sample of 87 property items acquired since fiscal year 1989 did not identify any deficiencies regarding item descriptions on acquisition documents.

- RECOMMENDATION A.5. Establish data entry controls to ensure that the actual acquisition cost of property is entered in the Property Management System and that the actual cost of capitalized property that is entered by the Office of Financial Management is matched with the correct property item.

- RECOMMENDATION A.7. Reconcile the financial general ledger with the records in the Property Management System and, based on the results of inventory and implementation of the above-listed property control procedures, eliminate the variance between the two records.

STATUS: Recommendations A.5 and A.7 were not fully implemented at the completion of our review. Our review disclosed deficiencies regarding the acquisition costs recorded in the Property Management System and the use of receiving dates for capitalizing property items. Geological Survey officials informed us that these deficiencies would be eliminated upon the installation of the new Fixed Asset Module of the Federal Financial System. Subsequent to the completion of our review, we verified, as part of our audit of the Geological Survey’s fiscal year 1995 financial statements, that the Fixed Asset Subsystem had been implemented and adequately addressed these deficiencies.

- RECOMMENDATION A.6. Establish followup controls to ensure that all Forms 9-065 distributed to custodians are updated, accurate, and complete.

STATUS: The Property Management Handbook was revised and distributed to all Geological Survey employees in December 1991. Chapter 3 of the Handbook requires that Form 9-065 (“Property Receipt and Accountability Record”) be completed and returned to the Property Management Branch within 30 days of receipt of a new item. According to Geological Survey officials, these forms were distributed, utilized, and returned to the Branch when new items were acquired and received.

- RECOMMENDATION B.1. Identify all property provided to non-Geological Survey personnel without authorization and, where appropriate, obtain reimbursement for the property either from Geological Survey personnel or from those who retain the property. Those employees who improperly conveyed Government property should be disciplined or referred for legal action.

STATUS: All specific cases cited by the audit were satisfactorily resolved by June 1992. Additional guidance on this matter was provided in the “Administrative Digest” dated November 7, 1991, and in the Director’s memoranda to all employees dated September 1991 and August 1992. The Property Management Handbook, Chapter 3, Paragraph 2.f, also provided instructions on transfers of property to non-Geological Survey entities. Our audit found no exceptions to compliance with the guidance regarding the use of Geological Survey property by non-Geological Survey personnel,

- RECOMMENDATION B.2. Issue guidance to all custodial personnel directing them to inform the contracting officers to specify in the written agreements with outside organizations the property items (including their function and destination) that are provided to non-Survey personnel.

- RECOMMENDATION B.3. Issue guidance to all custodial personnel directing them to inform the contracting officers to specify in the written agreements with outside organizations the cost of the property items that are provided to non-Survey personnel.

STATUS: The Chief, Office of Procurement and Contracts, issued Policy and Procedures Memorandum Number 91-17, dated December 3, 1991, which included guidance on administration of property used by contractors, grant recipients, and other non-Geological Survey personnel. In addition, the form entitled “Loan of Property Grant” was implemented on October 8, 1993, which simplified the process for loaning property to non-Geological Survey domestic entities with which the Geological Survey is working on general research projects.





# United States Department of the Interior Page 1 of 3

U.S. GEOLOGICAL SURVEY  
Reston, Virginia 22092

1996 FEB 22 P 4:14  
U.S. DEPARTMENT OF THE INTERIOR  
FEB 23 1996

In Reply Refer To:  
Mail Stop 210

## MEMORANDUM

To: Acting Assistant Inspector General for Audits

From: *for* Gordon P. Eaton *Bonnie L. McQuay*  
Director, U.S. Geological Survey

Subject: Draft Audit Report, "Property Management, U.S. Geological Survey, January 1996" (Assignment No. E-IN-GSV-005-95)

We have carefully reviewed the draft audit report presenting the results of your review of the U.S. Geological Survey's property management activities.

We are in general agreement with the findings; however, we are pleased to report that three of the recommendations have been satisfied with the implementation of the Fixed Assets Subsystem (FAS), a new mainframe property management system, which is fully integrated with the Federal Financial System. The one remaining recommendation will be satisfied when an enhancement to FAS is implemented in June 1996. Our comments on the draft report and specific detailed response to each of the recommendations are presented in the accompanying attachment.

Thank you for the opportunity to review and comment on the draft report. Our Property Management staff is available to discuss our response or to provide any additional information that you may need.

Attachment

Copy to:  
Assistant Secretary--Water and Science

Property Management Branch  
February 14, 1996

COMMENTS ON DRAFT AUDIT REPORT  
PROPERTY MANAGEMENT  
U. S. GEOLOGICAL SURVEY

Page 6, last sentence: "Our current review determined that the Geological Survey had effectively implemented 8 of the 10 recommendations to correct these deficiencies."

Response: All 10 recommendations are complete. The Fixed Assets Subsystem, a new mainframe property management system that is fully integrated with the Federal Financial System, was implemented in July 1995. The new property management system will ensure constant and continued reconciliation of the property and general ledger accounts. Additionally, a full physical inventory of accountable property was completed and reconciled during fiscal year 1995.

Page 8, third paragraph, first sentence: "Information Systems Division" should be changed to "Office of Systems Management, Administrative Division."

RECOMMENDATIONS:

1. Establish adequate data entry controls to identify and prevent duplicate entries into the Federal Financial System's fixed asset subsystem, particularly with respect to manually entered excess and donated property

Response: The Fixed Assets Subsystem updates the property record acquisition cost through the payment process, eliminating the previous automated batch process that was occasionally updated more than once for a particular month's transactions.

2. Establish controls to ensure that files contain adequate documentation to support recorded acquisition costs, including the cost of enhancements to existing equipment.

Response: The Office of Financial Management will conduct periodic management control reviews to ensure that its established archival procedures are adequately executed.

3. Establish procedures to ensure that when property is acquired under contracts, the acquisition is recorded accurately in the Property System.

Response: The Fixed Assets Subsystem (FAS) requires that payments made for capitalized equipment purchased under contracts (including those with other Federal agencies) reference the Fixed Asset number of the equipment. This requirement ensures that the actual payment amount, rather than an estimated value, is recorded in the Property records in the FAS.

4. Ensure that equipment is capitalized based on the date of receipt rather than on the year of funding.

Response: The Fixed Assets Subsystem is being enhanced (implementation scheduled for June 1996) to accommodate accrual of a capitalized asset's value through the receiving document process. This will ensure that the asset's value is recorded in the correct fiscal year.

## STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
1, 2, and 3	Implemented.	No further action is required.
4	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

**ILLEGAL OR WASTEFUL ACTIVITIES  
SHOULD BE REPORTED TO  
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